



## WEEKLY UPDATE

5<sup>th</sup> SEPTEMBER 2022

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	80,971	-3.09%	-4.29%	-5.62%
MSCI World Ex-Aus. (Unhedged)	13,118	-1.95%	-0.62%	-9.23%
MSCI World Ex-Aus. (Hedged)	2,193	-2.98%	-4.65%	-13.90%
Bloomberg AusBond 0+ Composite	9,455	-0.21%	-0.21%	-11.44%
BloombergBarclays Global Agg. (Hedged)	988	-0.87%	-1.79%	-10.62%
S&P/ASX300 Property	57,559	-3.15%	-4.13%	-13.07%
FTSE EPRA Nareit Global Real Estate (Hedged)	2,696	-3.09%	-6.49%	-15.47%
S&P Global Infrastructure (Hedged)	6,036	-2.44%	-3.66%	8.82%
Bloomberg All Hedge Fund Index	1,951	N/A	-0.97%	0.02%
VIX	25.5	-0.35%	2.74%	55.21%
Bloomberg Commodity Index (USD)	119.10	-4.41%	-11.00%	22.64%
Iron Ore Index (62% Fe Aus. Off. China, USD)	97.00	-9.77%	-31.93%	-34.24%
LME Copper Spot (USD)	7,587.00	-6.97%	-19.76%	-18.83%
Coal 1st Future (Newcastle Export, USD)	435.00	4.22%	5.45%	145.07%
Brent Crude 1st Future (USD)	93.02	-7.89%	-20.91%	27.37%
LNG 1st Future (Japan/Korea)	55.25	-19.70%	130.04%	199.27%
Gold in AUD	2,513	-0.26%	-2.28%	2.78%
AUDUSD	0.6812	-1.23%	-6.24%	-7.95%
AUDEUR	0.6842	-1.08%	1.21%	8.92%
AUDNZD	1.1148	-0.73%	0.64%	6.65%
AUDGBP	0.5917	0.76%	2.37%	9.58%
AUDJPY	95.5030	0.65%	1.20%	14.81%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 3<sup>rd</sup> September 2022

**The post-Jackson Hole fallout continued last week as stronger than expected US data and European inflation pushed interest expectations to new highs. The RBA, ECB, Bank of Canada, and Bank of England are all expected to raise interest rates by at least +0.50% in the next two weeks, beginning with the Reserve Bank tomorrow.**

**Russia suspended gas supplies indefinitely to Europe over the weekend after G7 leaders agreed to cap the price paid for Russian oil exports.**

**The US market is closed for Labor Day today. As well as the central bank meetings, Australian Q2 GDP will be published on Wednesday, with the latest Chinese trade and inflation numbers also due this week. By tomorrow, Conservative party members will have chosen the next UK Prime Minister.**

CoreLogic Housing Index results, 31 August 2022	Change in Dwelling Values				
	Month	Quarter	Annual	Total return	Median value
<b>Sydney</b>	-2.3%	-5.9%	-2.5%	-0.7%	\$1,066,493
<b>Melbourne</b>	-1.2%	-3.8%	-2.1%	0.8%	\$782,053
<b>Brisbane</b>	-1.8%	-2.5%	17.5%	21.7%	\$762,284
<b>Adelaide</b>	-0.1%	1.6%	21.8%	25.7%	\$652,959
<b>Perth</b>	-0.2%	0.4%	4.9%	9.4%	\$561,781
<b>Hobart</b>	-1.7%	-3.3%	5.8%	9.8%	\$714,370
<b>Darwin</b>	0.9%	2.3%	6.3%	12.8%	\$512,531
<b>Canberra</b>	-1.7%	-2.6%	7.8%	12.0%	\$909,748
<b>Combined capitals</b>	<b>-1.6%</b>	<b>-3.8%</b>	<b>2.2%</b>	<b>4.8%</b>	<b>\$808,287</b>
<b>Combined regional</b>	<b>-1.5%</b>	<b>-2.1%</b>	<b>13.4%</b>	<b>17.5%</b>	<b>\$594,006</b>
<b>National</b>	<b>-1.6%</b>	<b>-3.4%</b>	<b>4.7%</b>	<b>7.5%</b>	<b>\$738,321</b>

Source: CoreLogic, 3<sup>rd</sup> September 2022

Financial assets and most commodities lost ground as the market digested the hawkish message delivered by the Chairman of the Federal Reserve just over a week ago.

**American data was generally ahead of expectations.** Consumer confidence, job advertisements, and the ISM Manufacturing new orders all produced upside surprises, prompting the bond market to price even higher interest rates ahead. The 2yr Treasury yield reached 3.5% on Thursday, the highest level since 2007.

There was some brief respite on Friday after a slight rise in American unemployment to 3.7%, driven by an increase in participation. **Over three-quarters of a million workers returned to the labour force in August, but only +315k found work.** The US dollar weakened on the day, and European equity markets rallied, but US stocks could not maintain the momentum and sold off into the close before the Labour Day long weekend.

The market expects more monetary tightening across the major currencies as inflation continues to set records. **Eurozone CPI rose above forecasts to +9.1% over the year ending in August.** There was difficult news for Europeans over the weekend too. After the G7 nations agreed to a cap on prices paid for Russian oil, Russia retaliated by indefinitely suspending gas supply to Germany through the Nord Stream pipeline. The ECB is expected to raise the main policy rate this Thursday by +0.75%, with the Bank of England expected to raise by the same amount next week. The Bank of Canada may raise rates by as much as +1% to 3.5% on Wednesday.

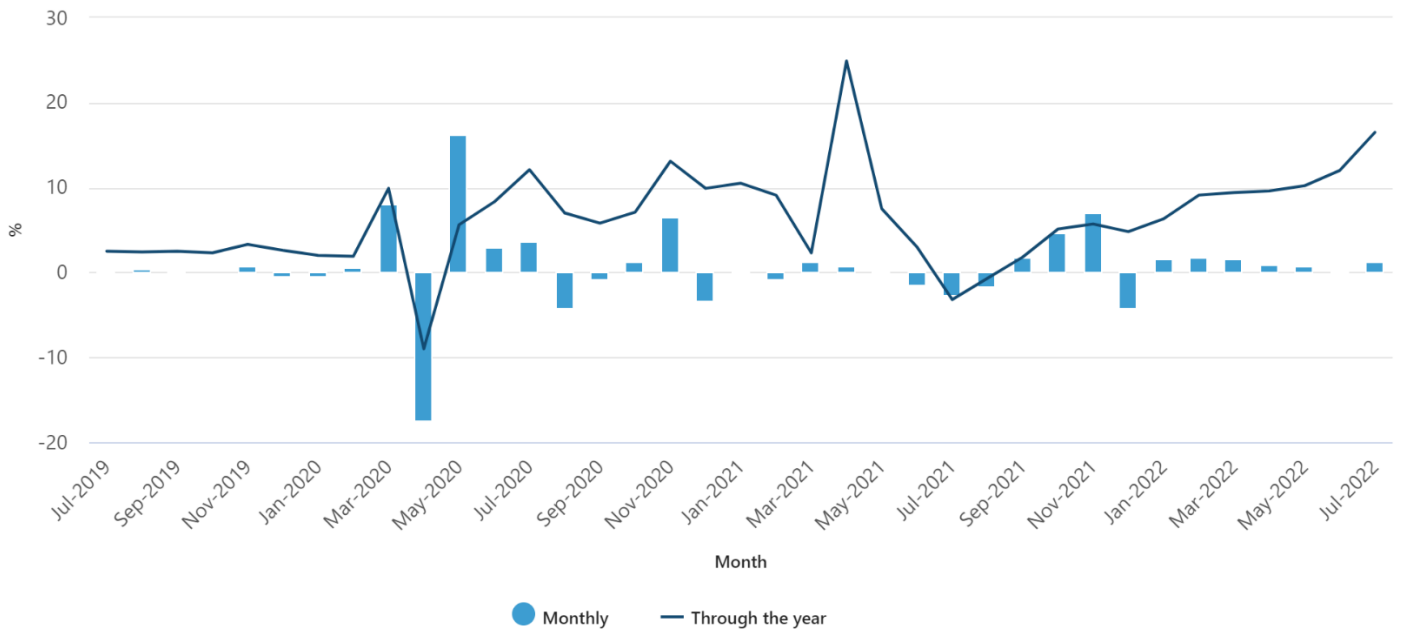
**The market is pricing a +0.50% rise in the Australian cash rate to 2.35% at tomorrow's RBA meeting.** July retail sales were much higher than forecast, rising by +1.3%. But building approvals (-26% yoy), construction work (-3.8% in Q2) and private capital expenditure (-0.3% in Q2) were all weaker. Nevertheless, Q2 GDP is expected to register an increase of +3.5% yoy when released on Wednesday.

**CoreLogic data showed that tighter monetary policy is affecting house prices across Australia.(see above table).** The national Home Value Index (HVI) recorded a fourth consecutive month of decline in August, with the downturn accelerating and becoming more geographically broad-based. Down -1.6% over the month, the national index recorded the most significant month-on-month decline since 1983. Every capital city apart from Darwin is now in a housing downturn, with a similar scenario playing out across the rest-of-state regions. Only regional South Australia recorded an increase in housing values for the month. Sydney continues to lead the downswing, with values falling by -2.3% over the month. However, weaker conditions in Brisbane accelerated sharply through August, with values falling by -1.8%.

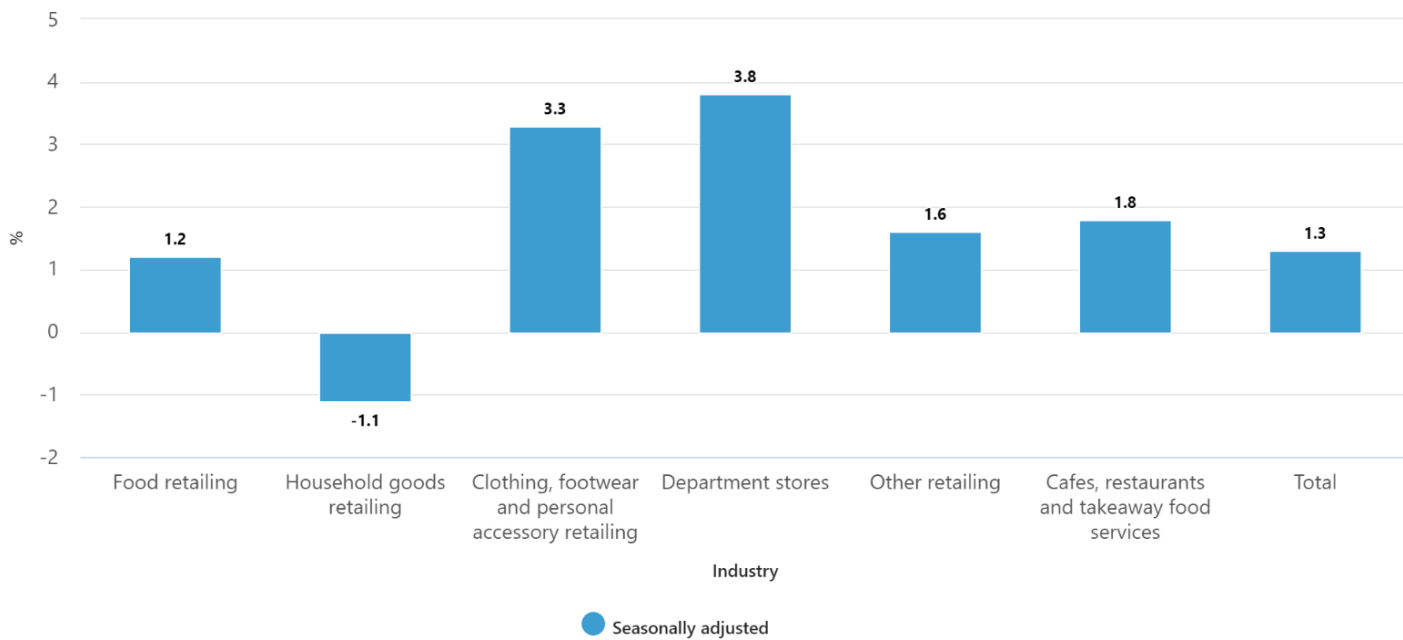
The Australian market is expected to open roughly -0.25% lower today following the softer close on Wall Street. However, the semi-annual reporting season is ending on an upbeat note. **According to Bloomberg, the 268 S&P/ASX300 companies that have reported saw earnings rise by +5.3%,** a modest positive surprise of +2.7% versus forecasts. This year's analyst profit forecasts have also been lifted by +5.6% in the last four weeks.

## Australian Retail Sales, July 2022

Monthly turnover, current prices - seasonally adjusted estimate



Monthly turnover, current prices, by industry - percentage change from previous month



Source: Australian Bureau of Statistics, Retail Trade, Australia July 2022

## Significant Upcoming Data:

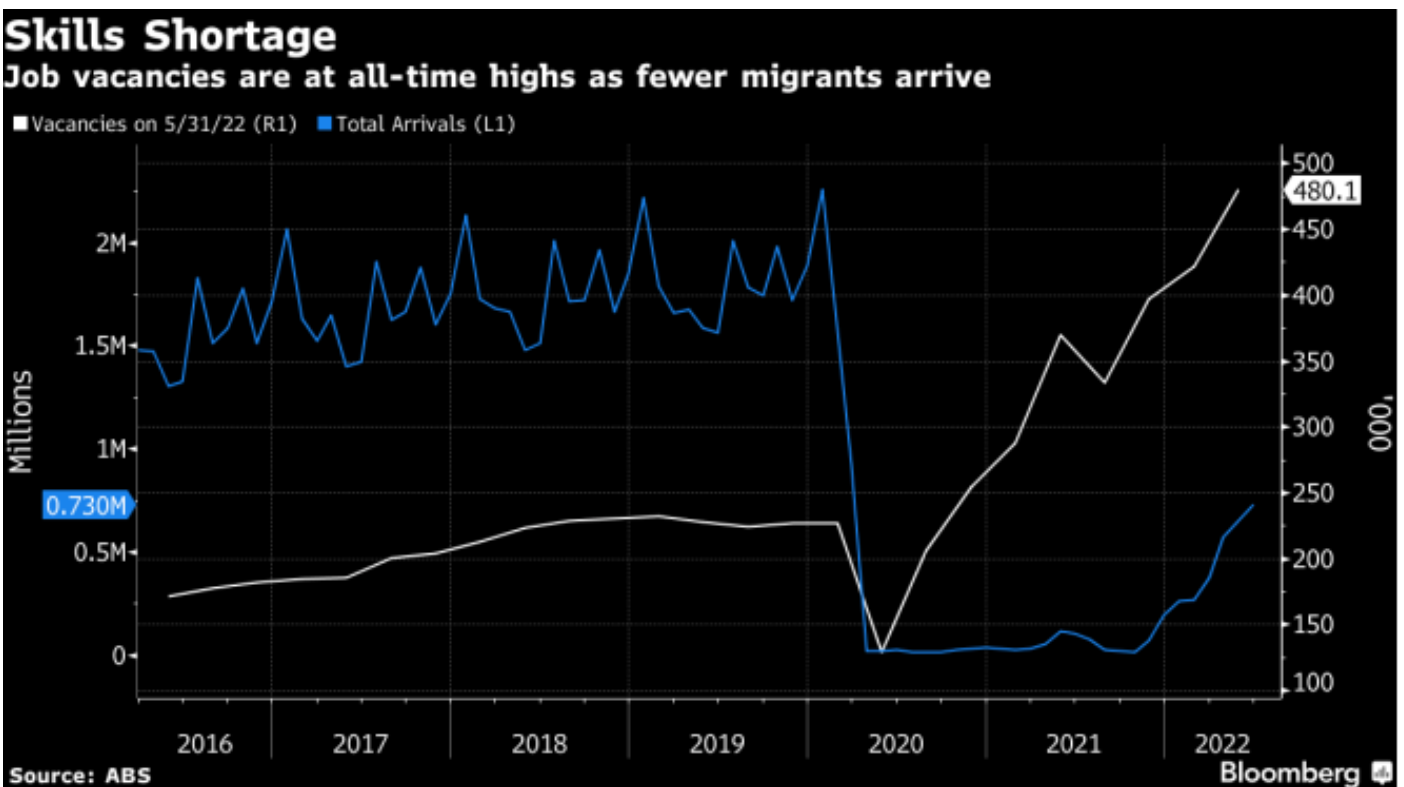
	Monday	Tuesday	Wednesday	Thursday	Friday
<b>Australia</b>	<b>ANZ Job Advertisements; Company Oper. Profits; Inventories;</b> Melbourne Inst. Inflation; S&P Global Serv. & Comp. PMI (F)	<b>RBA Meeting; BoP Current Acc. &amp; GDP Net Exports;</b>	<b>Q2 GDP</b>	<b>Trade</b>	
<b>US</b>	<b>Labour Day</b>	<b>ISM Services ;</b> S&P Global Serv. & Comp. PMI (F)	<b>Trade;</b> MBA Mortgage Apps.	<b>Consumer Credit;</b> Weekly Jobless Claims	<b>W Sale Trade &amp; Inventories ;</b> Household Change in Net Worth
<b>Europe</b>	<b>EZ Retail Sales; Tier 2 S&amp;P Global Serv. &amp; Comp. PMI Swiss Q2 GDP;</b> UK New Car Reg.; Sentix Investor Conf.	<b>German Factory Orders;</b> Dutch CPI; Finnish Trade; S&P Global German & UK Construction PMIs	<b>EZ Employment &amp; Q2 GDP (F); German, Danish, Norwegian &amp; Swedish Ind. Prod.;</b> Swedish Govt Finances; Italian Ret. Sales	<b>ECB Meeting; Swiss Unemp.;</b> Irish CPI & Ind. Prod.; French Trade & Private Sector Payrolls; French & Danish Curr. Acc.; Norwegian Monthly GDP; UK, Swedish & Spanish House Prices;	<b>French, Spanish, Finnish, Dutch &amp; Greek Ind. Prod.; Norwegian CPI &amp; PPI;</b> BoE Inflation Outlook; [German Wholesale Prices]
<b>Japan</b>	Jibun Serv. & Comp. PMI (F)	<b>Labor &amp; Real Cash Earnings; Household Spend.</b>	<b>Leading &amp; Coinc. Index</b>	<b>BoP Curr. Acc.; Bank Lending;</b> Eco Watchers Survey; Tokyo Office Vacancies; Q2 GDP (F)	<b>M2 / M3 Money Stock</b>
<b>China</b>	<b>Caixin Serv. &amp; Comp. PMI</b>		<b>Trade</b>		<b>CPI &amp; PPI; [Money Supply]</b>

Government, industry and union leaders gathered in Canberra to discuss economic and workforce challenges at the Treasury's Jobs & Skills Summit on Thursday and Friday. One concrete measure to emerge will be a rise in the number of permanent migrants allowed each year from 165k to 195k, with changes to collective bargaining also being considered.

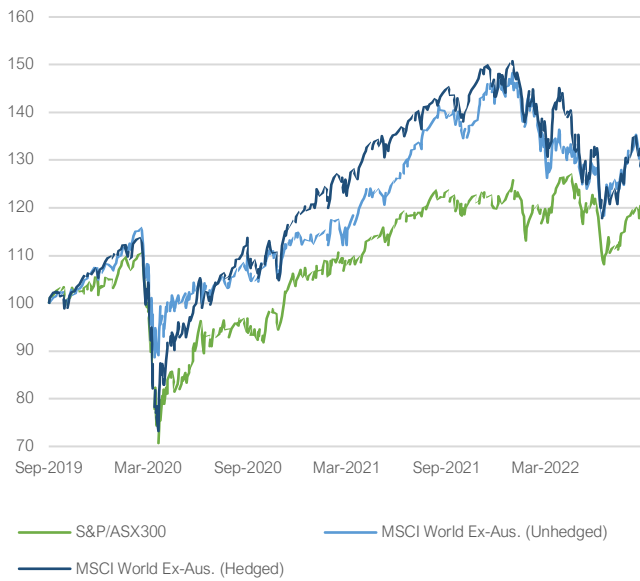
One of the challenges will be the sliding share of national income for Australian workers which has been on a steady decline in recent decades, and with inflation currently running at 6.1%, more than double wage growth, employees want chance



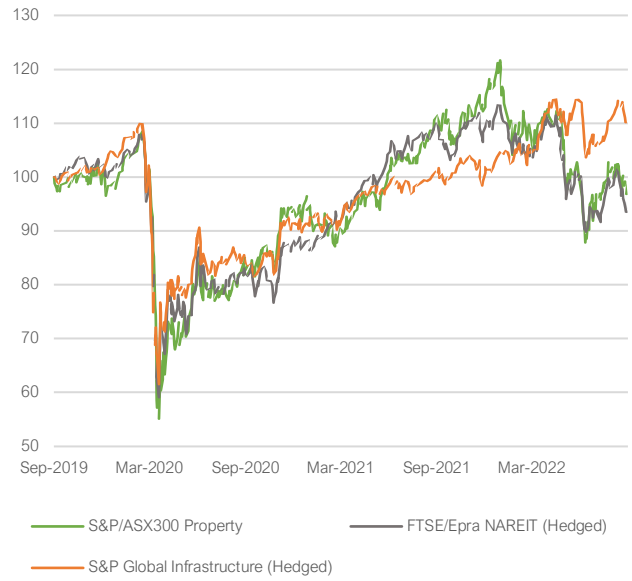
With the labor market and economy running close to full capacity, industry leaders are urging the government to consider raising the number of work visas and allowing those on government pensions the ability to earn extra income without a penalty reduction in their pension payments.



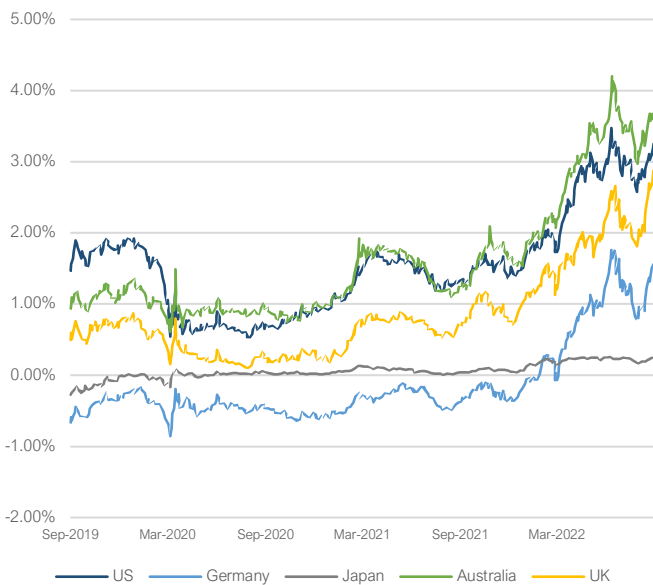
3Yr Equity Indices (Rebased to 100)



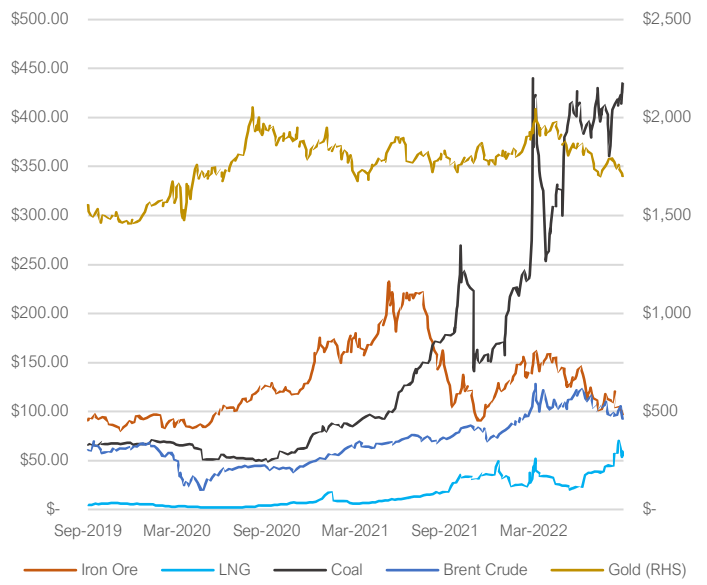
3Yr Prop. & Infrac. Indices (Rebased to 100)



10Yr Government Bond Yields (%)



Commodity Prices (US\$)



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE Russell, 3<sup>rd</sup> September 2022

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